



HAWK for New Homebuyers Pilot Program

Question & Answers

May 21, 2014

HAWK FOR NEW HOMEBUYERS PILOT PROGRAM INFORMATION:

Q1. What does “HAWK” mean?

- A1. “HAWK” stands for *Homeowners Armed with Knowledge* and serves as an umbrella term for Federal Housing Administration (FHA) initiatives that link HUD’s Housing Counseling program with FHA-insured mortgage origination and servicing.

Q2. What is the FHA HAWK Pilot Program?

- A2. The Federal Housing Administration (FHA) HAWK Program is a series of initiatives, designed to link housing counseling with FHA origination and servicing in order to help families achieve their housing goals while as the same time increasing the stability of the FHA Mutual Mortgage Insurance Fund.

The FHA HAWK for New Homebuyers Pilot is consumer-driven and tailored specifically for borrowers with FHA-insured mortgages and designed to expand the benefits of housing counseling not only to consumers but also to lenders, investors and the FHA Mutual Mortgage Insurance Fund (MMIF).

Q3. How does the HAWK Pilot Program Work?

- A3. Under the new proposed pilot, recently announced in the Federal Register on May 15, 2014, and for which public comment is solicited, homebuyers will qualify for savings on their FHA-insured loans by completing housing counseling by a HUD-approved counseling agency. Please see the Federal Register [HAWK Pilot Notice Announcement](#). The counseling is aimed at improving buyers’ financial management skills and housing decisions. FHA is soliciting comment on the proposed pilot for a period of 60 days.

Q4. How long will the HAWK Pilot run?

- A4. The HAWK Pilot is proposed to be a four-year pilot.

Q5. What is the start date for the pilot?

- A5. The estimated start date for the start of the pilot is October 1, 2014.
- Q6. Who is an eligible borrower?
- A6. An eligible borrower is a first-time homebuyer as defined by FHA who qualifies for FHA-mortgage insurance. FHA defines a first-time homebuyer as an individual who has not been an owner in a primary residence for at least three years leading up to the purchase. See [ML 2008-22](#), for an updated and complete FHA definition of first-time homebuyer.
- Q7. Who can provide counseling and education?
- A7. All housing counseling and education must be delivered by a HUD-approved housing counseling agency in accordance with HUD regulations, directives, handbooks, and as applicable any additional requirements of the HAWK pilot.
- Q8. How does HUD define “housing counseling” and “education”?
- A8. HUD defines housing counseling to be counseling-to-client assistance that addresses unique financial circumstances and housing issues and focuses on overcoming unique obstacles to achieving a housing goal. Education is defined as formal classes with established curriculum and instructional goals provided in a group or classroom setting or other formats approved by HUD (including on-line education that is acceptable to the housing counseling agency issuing the certificate and meets HUD standards for education).
- Q9. What are the requirements for housing counseling agencies to participate in the HAWK Pilot?
- A9. Housing counseling agencies that participate in this pilot are required to be HUD-approved and must provide the content for each housing counseling and education session as described in the content of the Housing and Counseling Education Elements for the HAWK Pilot as specified in Section II. C. of the [HAWK Pilot Notice](#).
- Q10. What are the eligibility criteria for a Housing Counseling Agency to participate in Phase One of the Pilot?
- A10. HUD will select HUD-approved counseling agencies for participation in Phase One in accordance with the criteria described in the Selection Criteria for Participating Housing Counseling Agencies in the [HAWK Pilot Notice](#).
- Q11. What are the eligibility criteria for a Housing Counseling agency to participate in Phase Two of the Pilot?
- A11. Any HUD-approved housing counseling agency, including branches, affiliates and sub-grantees of approved housing counseling agencies, whose approved work plan includes pre-purchase housing counseling and education and that meets the pilot requirements prescribed in [HAWK Pilot Notice](#) and any other subsequent notice related to Phase Two of this HAWK Pilot is eligible to provide housing counseling and education under this pilot. Housing Counseling agencies that wish to participate in the HAWK Pilot must be

registered in the Federal Housing Administration's Connection (FHAC) system and be qualified to issue certificates from FHAC evidencing the completion of housing counseling and education.

Q12. Do all HUD-approved housing counseling agencies have to participate in the Pilot?

A12. No. Participation by HUD-approved housing counseling agencies in the HAWK Pilot is voluntary.

Q13. What are the selection criteria for housing counseling agencies to participate in Phase One of the HAWK Pilot Notice?

A13. The selection of housing counseling agencies who participate in Phase One of the Pilot will be based on non-competitive selection criteria including but not limited to: (1) housing counseling agencies with no unresolved findings in their performance reviews and unconditional approval status; (2) neither the housing counseling agency or any of its board members or principals may be debarred or subject to an investigation for debarment on the publication date of this notice any time prior to selection of participants. Part III of the [HAWK Pilot Notice](#) contains the complete selection criteria.

Q14. What are the requirements for borrowers for completing the housing counseling elements?

A14. All borrowers participating in the HAWK Pilot on the FHA- insured loan are required to complete each of the required housing counseling and education elements in order to qualify for the maximum MIP incentives under the HAWK Pilot.

Q15. What are the housing counseling and education elements for the HAWK Pilot?

A15. Each borrower with an FHA-insured loan must complete the following three elements in order to be eligible for all the MIP incentives:

1. Pre-contract housing counseling and education;
2. Pre-closing housing counseling; and
3. Post-closing housing counseling.

Q16. When are counseling and education for the HAWK Pilot provided?

A16. The Homebuyer must complete Housing counseling and education at the following points of time:

- 1st point - Before the home purchase contract is signed;
- 2nd Point – Before the loan closes; and
- 3rd Point – During the first year of homeownership.

Q17. What is the duration for *pre-contract* housing counseling and education?

A17. Borrowers are required to receive a minimum of 6 hours of housing education and counseling and receive a counseling certificate to satisfy the pre-contract housing counseling and education element. Services can include a combination of individual counseling and education as long as at least 1.5 hours of individual counseling is provided.

Q18. What is the content of *pre-contract* housing counseling and education?

A18. Individual housing counseling or education may be utilized to cover general topics including but not limited to: understanding the home shopping, home buying and mortgage application process; how to evaluate mortgage products; the role of various real estate professionals, including, the real estate agent, lender, title company, appraiser and home inspector, and considerations when selecting from among possible firms or individuals to perform in these capacities; rights and responsibilities of homeowners in comparison to those of renters; how to evaluate neighborhoods and home location; how housing and transportation costs vary depending on the type and location of the home and the terms of the mortgage loan and contract of sale; federal, state and local resources to assist with homeownership affordability including down-payment and closing cost assistance programs and affordable mortgage products; responsibilities of repair and maintenance; the importance of the home inspection; avoidance of mortgage delinquency and default; the costs associated with homeownership; avoiding fraud and scams; and information on discriminatory housing and mortgage lending practices and the rights and remedies available under federal, state, and local fair housing laws.

Individuals counseling must, at a minimum, cover the following topics: Analysis of homeownership readiness; household budget development; analysis of credit and debt; affordability analysis; and an explanation of the HAWK Pilot, including MIP incentives, housing counseling requirements and payment of counseling costs.

Q19. When must the *pre-contract* housing counseling and education certificate be issued?

A19. The pre-contract housing counseling and education certificate must be issued 10 days prior to ratification of a contract to purchase a home.

Q20. How many hours of *pre-closing* housing counseling must a borrower have?

A20. Borrowers are required to have a minimum of 1 hour of pre-closing individual housing counseling.

Q21. What is the content of *pre-closing* housing counseling?

A21. At a minimum, this counseling must cover: a review of the mortgage loan information that has been provided by the lender; re-assessment of the costs of homeownership based on the particular home and loan; general expectations for the closing process in the borrowers' state including: review of the Good Faith Estimate, Truth-in-Lending statement, loan disclosures, and other mortgage and closing documents; annual percentage rate (APR) and interest rate; earnest money; the appraisal; title insurance; property and casualty insurance; inspections and escrow.

Q22. When must the *pre-closing* counseling certificate be issued?

A22. The pre-closing counseling certificate must be issued no earlier than the date of the loan application and no later than three days prior to settlement.

Q23. How many hours of *post-closing* housing counseling must a borrower have?

A23. Borrowers are required to have a minimum of 1 hour of post-closing individual housing counseling.

Q24. What is the content of *post-closing* housing counseling?

A24. The content of post-closing housing counseling must include: the new household budget reflecting expenses of homeownership including savings for planned and unplanned expenses; how to maintain and improve the home; recognizing home repair scams; delinquency prevention and resources available to intervene in the event of a risk of delinquency or default; federal, state and local laws related to homeownership and mortgage servicing; maintaining good credit; taxes; reserves; home equity; refinancing and alternatives; utility costs; energy efficiency; and selling the home.

Q25. When must a *post-closing* counseling certificate be issued?

A25. The post-closing certificate must be issued no earlier than 30 days following loan closing and no later than the one year anniversary from loan closing.

Q26. What is required to document the completion of housing counseling and education?

A26. The housing counseling agency will certify that each consumer has completed the counseling and/or education requirements for each element of the HAWK Pilot by issuing a counseling certificate, form HUD-9911 for that element within 24 hours of the consumer's completion of counseling. A copy of the certificate, signed by the consumer and the housing counseling agency, must be kept in the housing counseling agency file in addition to FHAC. The completion of each required element will be evidenced by a separate certificate issued in FHAC and signed by an authorized representative of the HUD-Approved agency that provided the housing counseling and education. Each certificate will also be signed by the borrower. The certificate will document the fee charged and received for each element. Lenders will access certificates in FHAC to validate that borrowers have met the pilot requirements and to validate the fees paid by the borrower. A total of three certificates will be filed in FHAC for each borrower before the borrower(s) may receive the maximum incentives under the HAWK Pilot.

Q27. How can FHA approved lenders, servicers and HUD-approved housing counseling agencies be considered to participate in Phase One of the HAWK Pilot?

A27. FHA approved lenders, servicers and HUD-approved housing counseling agencies who wish to be considered for participation in Phase One must submit a letter to HUD, addressed to the Deputy Assistant Secretary of Housing Counseling and demonstrate how they satisfy the Selection Criteria for Participating FHA Approved Lenders, Servicers or HUD-approved Housing Counseling Agencies.

FHA-Approved lenders and servicers and housing counseling agencies must submit the letter and documentation on the criteria to HUD by a date announced in a separate Notice.

Interested FHA approved lenders and servicers and HUD-approved housing counseling agencies are invited to notify HUD of their expression of interest in participating in the pilot program prior to the formal date of applications are announced. Expression of interest may be sent to housing.counseling@hud.gov with the subject line: “HAWK Pilot Phase One”.

Q28. What are the eligibility criteria for a lender for Phase One of the HAWK Pilot? -

A28. HUD will select FHA-approved lenders and servicers for participation in Phase One of this pilot in accordance with the criteria described in the Selection Criteria for Participating Lenders and Servicers stated in the [HAWK Pilot Notice](#).

Q29. What are the eligibility criteria for lenders in Phase Two of the HAWK Pilot?

A29. Any FHA-approved lender that originates home purchase mortgages is eligible to participate in the HAWK Pilot and that meets the eligibility requirements stated in the [HAWK Pilot Notice](#) and any subsequent notice issued regarding the HAWK Pilot. Participation is voluntary.

Q30. What are the requirements for lenders and servicers to participate in the HAWK Pilot?

A30. Lenders and servicers that elect to participate in this pilot initiative are required to be FHA-approved and follow existing FHA guidance and regulations except where that guidance is superseded in this notice.

Q31. What are the selection criteria for FHA lenders and servicers to participate in the HAWK Pilot?

A31. The selection of lenders and servicers to participate in Phase One of the Pilot will be based on non-competitive selection criteria such as but not limited to: (1) FHA approved lenders who have a written agreement with one or more HUD-approved counseling agencies to provide pre-contract housing counseling and education; (2) FHA-approved lenders that originate but do not transfer servicing or FHA lenders that do transfer servicing but are willing to do work with only one or two servicers on this pilot in order to test servicing transfer.

FHA-approved lenders that close FHA-insured loans under this pilot are required to pay for the borrower’s pre-closing and post-closing housing counseling costs. The maximum lender fee covering pre-closing and post-closing housing counseling is \$350 or \$400 if there are multiple borrowers on the loan except where lenders and housing counseling agencies have written agreements for a different fee structure that complies with applicable rules and regulations.

FHA-approved lenders will make adjustments to their systems to implement the mortgage insurance premium reductions that are potential benefits to the borrower in this pilot program.

FHA-approved lender will also submit MIP payments to HUD and report delinquencies in a timely manner as required by current guidelines.

Q32. Will there be a limit on how many FHA-insured loans can be part of this Pilot?

A32. Yes, the maximum number of FHA-insured loans under the pilot will be limited. FHA will set a loan cap for each year of the pilot.

Q33. When will a subsequent notice be issued for implementation of Phase Two?

A33. Implementation of Phase Two will be announced in a subsequent notice issued during the first year of the pilot. Changes made by HUD to the pilot will be announced through subsequent notices.

Q34. What are the goals of the HAWK Pilot?

A34. The goals for the HAWK Pilot are to test and evaluate program designs that meet three (3) objectives:

1. To improve the loan performance of participants and reduce claims paid by FHA's Mutual Mortgage Insurance Fund (MMIF);
2. To expand the number of families who improve their budgeting skills and housing decisions through access to HUD-approved housing counseling agency services; and
3. To increase access to sustainable home mortgages for homebuyers underserved by the current market.

Q35. Who is a HAWK Homebuyer and what is the incentive for participation?

A35. A HAWK Homebuyer is a consumer who takes the initiative to complete a series of housing counseling and education elements and who meet underwriting criteria to qualify for an FHA-insured loan. This consumer can be eligible to receive substantial reductions in the pricing of FHA's upfront and annual mortgage insurance premiums.

Q36. What are the Benefits of the HAWK Pilot?

A36. HUD expects that homebuyers who complete pre-contract and pre-closing housing counseling and education - will receive a 50 basis point reduction in upfront mortgage insurance premiums and a permanent 10 basis point reduction in annual mortgage insurance premiums.

After the homebuyer completes post-closing housing counseling and avoids any incident of a 90-day delinquency on the mortgage payments during the first 18 months post-closing, the homebuyer will receive an additional permanent reduction of 15 basis points on the annual mortgage insurance premium beginning with the 25th month from the beginning amortization date.

Q37. What are consumer benefits from HAWK?

A37. Consumers benefit in the following ways:

1. HAWK participants will benefit from the practical skills and acquired knowledge gained from housing counseling and education whether or not they choose to purchase a home or whether or not they choose an FHA-insured loan.
2. HAWK buyers who participate in the pilot and select an FHA-insured loan will receive monetary savings from MIP reductions.

Q38. Who will pay for counseling and education?

Q38. Housing counseling will be paid by the parties who benefit from the HAWK Pilot including the housing counseling clients that will become borrowers, FHA-approved lenders, servicers and other government entities. HUD recognizes that the resources for paying for counseling are limited and has designed the pilot to accommodate multiple sources of revenue.

Agencies who wish to subsidize the homebuyer counseling and education costs have the option of using the HUD grant as well as other sources of funds to do so.

Housing counseling agencies are allowed to charge fees to the borrower for services under HUD rules. All fees must be disclosed to the client in advance and must be commensurate with the level of services provided and must be reasonable and customary for the area.

The cost of pre-closing and post-closing counseling will be reimbursed at closing by the originating FHA-approved lender through a payment by the lender to the housing counseling agency at closing (or to the borrower at loan closing if the borrower paid for counseling).

Any reimbursement to the borrower by the lender for pre-closing counseling must equal the amount paid by the borrower for the counseling, but may not exceed \$250.

The agency may use other sources of funds to cover the costs of pre-closing counseling including payment directly from the lender to the agency as long as the method and amount of the payment meet applicable FHA and CFPB rules and regulations.

At loan closing, the originating lender must issue a voucher to the borrower in the amount of \$100 for the borrower's post-closing housing counseling (\$150 if multiple borrowers are on the loan), which can only be redeemed by the borrower after the borrower completes the post-closing housing counseling and pays the housing counseling agency for services rendered.

The lender is not obligated to pay the pre-closing or post-closing fees if the borrower does not close on an FHA-insured loan. The lender is obligated to pay if the borrower completes the post-closing counseling and closes on the loan even if the borrower is delinquent on the loan or does not ultimately qualify for a permanent MIP reduction.

- Q39. What are the costs to housing counseling agencies and sources of payment for providing housing counseling and education?
- A39. Housing counseling agencies incur costs to provide housing counseling and education and are permitted to charge fees that are reasonable and commensurate to the area. No fees may be charged to consumers who do not have an ability to pay. Housing counseling agencies have the flexibility to provide the level of services and the modes of delivery. HUD used the following estimates of average costs to provide the minimum services required by each HAWK element: individual counseling - \$100 per hour; education - \$150 per 4.5 hour session including cost of material and credit report, if any.
- Q40. Who pays for the cost of pre-contract housing counseling and education?
- A40. All borrowers on the loan are required to complete pre-contract housing counseling education and can be charged a fee to help counseling agencies pay a portion of the cost. Housing counseling agencies may cover the cost for the borrower from HUD's grant funding or other government sources, private individuals, corporations or foundations.
- Q41. Who pays for the cost of the pre-closing and post-closing housing counseling and education?
- A41. Housing counseling agencies may elect to cover the cost of providing pre-closing and post-closing housing counseling by using their HUD housing counseling program grant, other government sources, foundations, or other private sources of funding. Borrowers and lenders that pay for this counseling are governed by specific rules.
- Q42. Which HUD Office will be responsible for overseeing the housing counseling element for the HAWK Pilot?
- A42. HUD's Office of Housing Counseling (OHC), administers the Housing Counseling Program. OHC provides grants, and oversees a broad range of nonprofit organizations, government agencies, and their branches and affiliates, to educate homeowners and renters so they may improve their housing conditions and meet the responsibilities of homeownership and tenancy.
- Q43. What is the purpose of counseling and education as part of the HAWK Pilot for new homebuyers and what will it provide?
- A43. Research has shown that housing counseling for first-time homebuyers by HUD-approved housing counseling agencies assists homebuyers in homeownership, arming them with information that improves their chances of success. Housing Counseling and education for first-time homebuyers, pursuant to HUD standards, addresses topics that include the decision to own or rent; budgeting and credit; financing a home; the home buying process; maintaining a home; managing mortgage payments; managing the financial investment; and avoiding delinquency and default.
- Q44. What is FHA's role within HUD?

A44. Through the Federal Housing Administration (FHA) and under authority of the National Housing Act, HUD provides mortgage insurance on single family loans made by FHA-approved lenders for 1-4 unit single family properties. The HAWK Pilot is under FHA's single family insured mortgage program. FHA mortgage insurance provides lenders with protection against losses incurred as the result of single family borrowers defaulting on their mortgage loans. By insuring loans made by FHA-approved lenders, FHA facilitates the availability of mortgage financing, helps to expand affordable housing, and assists in meeting the housing needs of borrowers. FHA is also charged with ensuring the financial soundness of the MMIF, and making programmatic or premium adjustments as necessary to reduce risk to the MMIF.

Q45. Will HUD conduct an evaluation of the HAWK Pilot?

A45. Yes, HUD will conduct an evaluation of the HAWK Pilot to assess the goals of improving loan performance, impact on the MMI Fund, and household and consumer outcomes. It will also include an evaluation of the pilot process, demographics and credit profile of HAWK borrowers compared to historic FHA first-time homebuyers, capacity and delivery of housing counseling, impact on lenders, and the sufficiency of MIP incentives. Participating FHA-approved lenders, servicers, housing counseling agencies and consumers will be required to cooperate with HUD to evaluate the effectiveness of the HAWK program.

Q46. What about marketing and outreach of HAWK Pilot?

A46. Marketing, outreach and building the capacity of participants involved in the pilot will play an important role in the success of the pilot. In the past, HUD has used conference calls, written communications, the internet, question and answer sessions and roundtables to expand operations and communicate guidance to its partners. HUD expects to augment these efforts with additional training and capacity building toolkits, especially in the areas of revenues for housing counseling, post-purchase housing counseling content, and marketing the program by real estate professionals.

Q47. Is HUD soliciting comments and suggestions for this Pilot?

A47. Yes, as noted in the [HAWK Pilot Notice](#) HUD is soliciting comments and suggestions on the following topics:

- Marketing the pilot to real estate professionals and consumers;
- How to coordinate or leverage the pilot with other, non-FHA benefits for HAWK homebuyers such as local down-payment assistance programs or mortgage products with reduced credit overlays;
- The content, duration and timing of housing counseling and education;
- Paying for housing counseling and education;
- Sufficiency of the pilot incentives to attract homebuyers to obtain housing counseling services;
- The methods HUD should use to promote marketing, outreach and capacity building;
- Ways to mitigate fraud and risk in the pilot; and

- Program coordination, operation and systems requirements.

Q48. Are participants in HUD's PD&R Pre-purchase Housing Counseling Study eligible to participate in HAWK?

A48. Yes, FHA borrowers that are in the PD&R Pre-purchase Housing Counseling Demonstration Study will be eligible for HAWK benefits, but will follow the parameters as described in Parts II.A and IV of the [HAWK Pilot Notice](#).

SUBMITTING COMMENTS AND QUESTIONS:

Q1. What is the public comment period the HAWK for New Homebuyers (HAWK Pilot)?

A1. The Comment Due Date is: **July 14, 2014**.

Q2. Who do I submit my comment to?

A2. Submit comments on the HAWK Pilot as follows. Commenters are strongly encouraged to submit comments electronically.

Electronic Submission of Comments:

- Submit comments electronically through the [Federal eRulemaking Portal](#). Comments submitted electronically can be viewed by interested members of the public.
- Comments submitted on the HAWK for New Homebuyers Pilot Program must refer to the Docket No. FR-5786-N-01

Submission of Hard Copy Comments:

- Comments may be submitted by mail or hand delivery to:
Office of General Counsel
Regulations Division
Department of Housing and Urban Development
451 7th Street, SW Room 10276
Washington, DC 20410-0001
- Comments submitted on the HAWK for New Homebuyers Pilot Program must refer to the **Docket No. FR-5786-N-01**
- Due to security measures at all federal agencies, submission of comments or requests by mail often result in delayed delivery. To ensure timely receipt of comments, HUD recommends that any comments submitted by mail be submitted at least 2 weeks in advance of the public comments deadline. All hard copy comments received by mail or hand delivery are part of the public record and will be posted to the [Federal eRulemaking Portal](#) without change.

Q3. Facsimile comments?

A3. Facsimile (FAX) comments are not acceptable.

Q4. Are comments available for public inspection?

- A4. Yes, all comments submitted to HUD regarding this notice will be available, without charge, for public inspection and copying between 8 am and 5pm (EST) weekdays, at the **Office of General Counsel, Regulations Division, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0001**. Due to security measures at the HUD Headquarters building, an advance appointment to review the documents must be scheduled by call the Regulations Division at (202) 708-3055 (this is not a toll-free number).
- Q5. For further information on the HAWK for new Homebuyer Information who should I contact?
- A5. Email specific program questions to housing.counseling@hud.gov and include "HAWK Notice Question" in the subject line. You may also send inquires to the attention of: **Arlene Nunes, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW, Room 9224, Washington, DC 20410**; or call **(202) 402-2532** (this is not a toll-free number). Persons with hearing or speech impairments may access this number via TTY by calling the toll-free Federal Relay Service at **(800) 877-8339**.